

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 SAA-01 DOE-15 SOE-02 EB-08

OMB-01 SP-02 ICA-11 AID-05 NSC-05 TRSE-00 STR-07

CEA-01 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03

NSAE-00 PA-01 NEAE-00 /104 W

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 2902

INFO AMCONSUL DHAHRAN

USLO RIYADH

C O N F I D E N T I A L JIDDA 5680

E.O. 11652: GDS

TAGS: ECON, EAID, ENRG, SA

SUBJ: UNDER SECRETARY COOPER'S MEETING WITH PRINCE

SAUD AL FAISAL, SAG MINISTER OF FOREIGN AFFAIRS

1. MEETING PRINCE SAUD AT TAIF ON JULY 22, 1978, UNDER SECRETARY COOPER STATED THAT PRESIDENT CARTER WISHED HIM TO GIVE SAG BRIEFING ON BONN ECONOMIC SUMMIT. PRINCE SAUD REPLIED THAT HE HOPED THIS WOULD BE THE FIRST OF MANY VISITS BY UNDER SECRETARY COOPER AND THAT THE KINGDOM VALUED THE INSIGHTS PROVIDED BY SUCH VISITS.

2. COOPER PROVIDED IN-DEPTH BRIEFING ON RESULTS OF THE SUMMIT BUT ADVISED SAUD THAT ALTHOUGH THE PRESS WAS EUPHORIC ON THE MEETING, THERE WERE PROBLEMS. THESE INVOLVED THE GERMAN PROBLEM OF LACK OF ECONOMIC GROWTH, TRADE IMBALANCES, THE DECLINING DOLLAR AND THE ENERGY QUESTION. REGARDING THE LATTER, COOPER POINTED OUT THAT THE U.S. WAS ACHIEVING A BETTER RECORD IN ENERGY CONSERVATION THAN SOME EUROPEAN COUNTRIES. SAUD REVEALED THAT, DURING HIS PREVIOUS VISITS TO EUROPEAN COUNTRIES WITH KING KHALED, HE NOTED A NEW AWARENESS

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BY EUROPEANS OF U.S. PROBLEMS BUT THEY WANT THE U.S. TO BE FIRMER IN ENERGY CONSERVATION.

3. SAUD NOTED THE UPCOMING PROBLEMS THAT SAG ANTICIPATES IN THE DECLINE OF THE DOLLAR AND THE EFFECT ON OIL PRICES. NEW AND STRONGER PRESSURES COULD BE EXPECTED FROM OTHER OPEC MEMBERS, AND SAG FACED DIFFICULTY IN WEIGHING

COMPLIANCE WITH OPEC PRESSURES FOR OIL PRICE INCREASES AGAINST ECONOMIC INTERESTS OF THE WESTERN WORLD.

4. RESPONDING TO COOPER'S INQUIRY RE PRODUCTION FORECASTS, SAUD STATED THAT SAUDI MAXIMUM SUSTAINED OIL PRODUCTION WAS NOW ABOUT 10 MILLION B/D AND THAT SAG WOULD HAVE HEAVY FINANCIAL EXPENDITURES TO INCREASE THIS LEVEL. HE NOTED THAT SAG HAD TO AGREE TO LIMIT PRODUCTION TO 8.5 MILLION B/D FOR 1978. ANY U.S. EQUALIZATION TAX IS MATTER FOR U.S. TO DECIDE BUT IT COULD LEAD TO HIGHER PRICES BY PRODUCER COUNTRIES, AND SAUDIS WOULD FIND IT DIFFICULT TO HOLD THE PRICE LINE.

5. REGARDING U.S. AID LEVELS, COOPER STATED THAT PRESENT POPULAR ANTI-TAX ATTITUDES IN THE U.S. WOULD MAKE EXPANSION OF AID THE MOST DIFFICULT ISSUE TO BE FACED IN COMING MONTHS. COOPER ACKNOWLEDGED SIGNIFICANT HIGH LEVEL OF SAUDI AID AND HOPED THIS WOULD BE MAINTAINED. WITH REGARD TO EGYPT, COOPER POINTED OUT THAT U.S. WAS LARGEST DONOR AND EXPRESSED BELIEF THAT THIS AID WOULD CONTINUE. SAUD MENTIONED PROBLEMS OF BEING DONOR NATION TO EGYPT BECAUSE OF THE DIFFICULTY IN IDENTIFYING PROPER PROJECT AID DUE TO SLOWNESS OF EGYPTIAN BUREAUCRACY. NEVERTHELESS, ACCORDING TO SAUD, IT IS IN MUTUAL SAG/U.S. INTEREST TO MAINTAIN THE AID LEVELS TO EGYPT FOR "MANY REASONS".

6. COOPER MENTIONED POTENTIAL FOR CHANNELING SAUDI AID
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THROUGH CO-FINANCING ARRANGEMENT WITH INTERNATIONAL ORGANS. SAUD SAID SAG WAS BECOMING MORE INTERESTED IN THIS AID ROUTE. HE ALSO SAID SAG WAS AMENABLE TO SUPPORT OF IMF THROUGH A SELECTIVE QUOTA INCREASE.

7. MORE COMPLETE REPORT COVERING ABOVE IS BEING POUCHED AS MEMCON.
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Message Attributes

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Decaption Note:
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